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# PUBLIC INVESTMENT POLICY AND EFFICIENCY PROJECT

## Quarterly Performance Report

**Period: July 1 – September 30, 2005**

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# **PIPE Q3/05 PROGRESS REPORT**

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## **1. PROGRESS AND ACCOMPLISHMENTS IN Q3/05**

The PIPE project's *core objectives* are to help GOAZ build up: (1) the necessary institutional and technical capacity for effective investment policy formulation and project development while minimizing opportunities to misuse scarce budget resources; and (2) the necessary expertise and competence in economic decision-making not only in Public Investment Programming but also in a wider context involving development planning and budgeting.

As explained in the PIPE Quarterly Review for Q2/05, the project became operational from late March 2005 and spent its first quarter (April-May-June) to carry out a comprehensive Diagnostic Review the central and line ministries' technical and administrative capacities in PIPE-related areas and their training requirements (May 2005), and to prepare a Work Plan (WP) and a Training Program (TP) for the project period (June 2005). The next quarter (July-August-September), which is under review in this QPR, was essentially used to: (a) complete the preparation of the WP and TP (July); (b) present them to all the stakeholders of PIPE (August); and (c) work on the initial tasks of the WP and TP. These activities and others are briefly presented below.

### **1.1. Work Plan Tasks**

The PIPE Project's Work Plan is structured into four components:

1. Long-term development and policy planning;
2. Capital budgeting;
3. Investment project preparation, appraisal and monitoring; and
4. Training on the above areas, programmed separately from, but in parallel with, the WP.

For Q3/05, the PIPE WP put emphasis on its first component, development and policy planning. More specifically, this involved: (a) harmonizing the overall guidance and instructions by the top leadership for the preparation of all major planning and budgeting documents; (b) preparing a macroeconomic and sectoral development framework; (c) identifying the appropriate procedures and format for Sector Strategic Development Planning. On capital budgeting, the WP envisaged initiation of the groundwork for Public Investment Program (PIP). The work on the third component (i.e., the project cycle) was planned to start in Q4/05 after some progress in setting up the macroeconomic and sectoral framework as a reference for project analysis.

#### **1.1.1. Need for Creating a High Policy Planning Council (HPPC)**

For the formulation of a sound and effective PIPP in Azerbaijan, the elected leadership (i.e., President and Parliament) must identify, essentially through a political process, the country's medium- to long-term national and sectoral objectives for economic and social development, which should also guide the formulation of all other major planning and budgeting instruments. These objectives should be checked for their inter-consistency, feasibility, and proper sequencing through a macroeconomic and sectoral development framework (model) and made operational by transforming them into time-bound, measurable and specific targets and

similarly concrete programs and projects to realize them. To lead and oversee such work, PIPE recommends:

- the establishment of the “High Policy Planning Council for Economic and Social Development” under President as an Inner Cabinet of key economic agencies; and
- charging the MOED to provide, with the cooperation of MOF, NBA and all line agencies, the necessary secretariat (and technical) services to the HPPC.

To this effect, PIPE has prepared a draft note (about 15 pages) on **“Importance of Having a Macroeconomic and Sectoral Framework for the PIPP”** to provide a background and justification for the PIPE proposal to improve and harmonize the guidance and instructions from the top leadership to all government agencies on national and sectoral development objectives and strategies for the annual exercise of medium-term development planning and budgeting. The note focuses on the importance of PIPP; the required macroeconomic framework for it; the necessary institutional and organizational setting; and the proposed structure and SOW for the HPPC.

This is, both politically and administratively, a highly sensitive issue. The top Government leadership may not want to voluntarily discipline its decision-making function by subjecting it to specific procedures and technical justifications. Also, there are other proposals by different IFIs and donors to improve coordination among different government agencies, though they are mostly limited to the specific areas of immediate interest to the proposal sponsor. PIPE, however, sees no conflict between its proposal for the establishment of an HPPC and other proposals for improved coordination on specific issues among implementing agencies. PIPE expects to discuss its proposal with MOED, MOF, and the Cabinet of Ministers (COM), including at a Workshop for high level officials, during Q4/05 and to cause the GOAZ initiate a constructive and effective search on this critical issue.

### **1.1.2. Preparing a Macroeconomic and Sectoral Development Framework (MSDF)**

The PIPE case for having an HPPC is in fact based on the need for a macroeconomic and sectoral development framework (model), which would in turn require effective central government guidance to and oversight of its utilization. Accordingly, as mentioned above, the PIPE note on the HPPC explained the importance of having an MSDF for the formulation of sound PIPP (**WP Tasks 1&2**). In addition, the PIPE work on Sector Strategic Development Planning (SSDP), as will be explained below, emphasizes the need for having an MSDF in order to check feasibility and consistency of both the guidance and instructions given to line ministries for the preparation of all planning and budgeting documents and their responses to them (**WP Task 5**).

The PIPE WP envisages helping MOED develop its capacity for preparation of a sound MSDF. To this effect, a two-step approach is recommended: First, a Macroeconomic Framework is to be developed along the lines of the Financial Programming Model (FPM) used by the IMF (**WP Task 3.a.**). Secondly, this relatively simple modeling work will be further developed so as to make it capable of modeling sectoral development as well (**Task 3.b.**). For this purpose, the World Bank’s (WB’s) Extended Revised Minimum Standard Model (RMSM-X) will be used. The PIPE staff has discussed this matter with the WB’s visiting country economic

mission and obtained its assurance of support to provide both necessary software and training for government experts. It is also planned to send, with the sponsorship of World Learning Inc., a nine-men team of MOED staff from its different departments involved in macroeconomic analysis and forecasting for RMSM-X training at the World Bank in Washington, D.C. To this effect, the PIPE project has prepared a proposal and submitted it to WLI.

While the work on RMSM-X is scheduled to start in Q4/05, the preparation of FPM has already been initiated in Q3/05 with the preparation of the appropriate accounting framework (the real sector, the fiscal account, the monetary survey and the balance of payments). Subsequently, the Azerbaijan data were inserted into the accounting framework for the period 2000-03. Its extension to cover the expected outcome of 2004-05 and the planned developments in 2006-09 has, however, been postponed to Q4/05, when it will be done jointly with MOED staff in the form of on-the-job-training (MOED staff will then be less busy than usual because of the advancement of the 2006 budget timetable by almost three months).

### **1.1.3. Preparation of a Sector Strategic Development Plan (SSDP)**

The PIPE note on “Importance of Having a Macroeconomic and Sectoral Framework for PIPP” explains that most strategic issues involved in the formulation of a sound PIPP have a sectoral context. The allocation of the annual public investment by sector over the medium-term has a strong influence on the pace and pattern of the country’s economic and social development. PIPE therefore emphasizes the important role of Sector Strategic Development Plans in providing a proper framework for linking public investment policies and projects in particular sectors to the national and sectoral development objectives and strategies determined by the GOAZ. To this effect, the PIPE project staff has prepared a **“Technical Note on the Preparation of a Sector Strategic Development Plan (SSDP)”** to be discussed with the central and line ministries (**WP Task 5**).

The Note on SSDP essentially presents what could be considered a generic template to be used by all line ministries. If this is adopted, it will:

- end the current practice of each ministry preparing its Sector Development Plan in a different format and at varying coverage and quality;
- help gradually move to program budgeting by establishing the goal-targets-activities-projects clusters;
- result in realistic planning in line with the sectoral resource ceilings;
- help linking the planning and budgeting documents with each other; and
- enable MOED and MOF to effectively consolidate all SSDPs and to check them for their consistency with the overall objectives and constraints.

These potential advantages of adopting a standard practice of SSDP as proposed by the PIPE are briefly explained in an introductory note presented like a preamble to the generic template for SSDP. Finally, the current practice of sector development planning has been reviewed and evaluated vis-à-vis the proposed format in the five sectors (transportation, industry and energy, tourism, environment, and education), which were selected to be included in the first year program of PIPE. These five sector notes, which were based partly on the findings of the

Diagnostic Review and partly on recent meetings between the local experts of PIPE and ministry officials, are included in the Note on SSDP as its final chapter. This Note on SSDP will be discussed with MOED, MOF and the selected line ministries and will be redrafted in light of their comments before it is included in the proposed PIPP Manual.

#### **1.1.4. Initiate the Work on Capital Budgeting**

The second component of the PIPE WP aims at improving the current procedures of capital budgeting and technical capacities (skills) of the central and line ministries for more efficient capital budgeting in terms of, among others, better costing, better prioritization, and more effective monitoring and evaluation. In this context, the WP envisaged the following activities in Q3/05:

- Start, and continue throughout the project period, promoting awareness by the central authorities (Parliament and the Offices of the President and the COM) of the importance of adopting sound planning, budgeting, and project development procedures as explained in the PIPE WP (Task 8).
- Drafting an annotated outline for a PIPP Manual envisaged to be developed in modules along the lines of the PIPE WP tasks (Task 9.a.).
- Begin, and continue through the project life, providing on-the-job training to MOED staff on the evaluation of line ministries' submissions for capital budgeting (WP Task 11.a.).

On the first activity (**WP Task 8**), the Chairman and Deputy Chairman of the Economic Policy Commission of the Parliament, State Advisor on Economic Policy, and Director of the Economic and Finance-Credit Policy Department of the COM were all provided with the PIPE WP and TP as attachment of the invitation sent to them for the PIPE Opening Presentation on August 26, 2005 (see below). In addition, the COP personally presented these documents to two members of Parliament and visited the Offices of the Cabinet and State Economic Advisor to brief them about the PIPE project. These documents and meetings as well as their participation in the PIPE Presentation deliberations are believed to have created a positive impression on the top government echelon. This should, however, be followed up with more effective and frequent contacts with them in the coming weeks and months once they leave behind the Parliament elections on November 6th and concerns and uncertainties caused by the recent shake-up in the Government.

The PIPE WP tasks will each lead to the development of procedures and practices on specific areas of the PIPP process, eventually constituting individual modules of a PIPP Manual. The WP envisages drafting an annotated outline of such a Manual in order to guide the PIPE staff on additional work that might be needed to fill the remaining gaps. The PIPP Manual will have two main parts, one on the relationship of PIPP with the planning and budgeting processes and documents and the other on the components of the project cycle. In this sense, the PIPP Manual is to be more than a Manual for Public Investment Projects, but less than a full Manual for Public Expenditure Management. It will instead be a mixture of the both, obtained through supplementing the former with some relevant aspects of the latter. PIPE staff has made a review, mostly through internet, of the manuals in both areas and identified some

good examples as reference for structuring the PIPP Manual (**WP Task 9.a**) and prepared a preliminary draft of the annotated outline of the PIPP Manual. It will be discussed and reviewed with STTAs during their next visits in November 2005 and subsequently with MOED and other stakeholders.

On the third activity (**WP Task 11.a**), PIPE staff has had regular meetings with MOED staff, particularly of the Economic Policy and Forecasting Department (EPFD), to obtain both data and information for all PIPE works mentioned above and comments on their initial drafts. PIPE staff is particularly careful to make all such interactions and exchanges with GOAZ officials as a vehicle for on-the-job-training. More specifically, as envisaged by the **WP Task 11.a**, helping and training MOED staff in reviewing line agencies' investment program and projects were not possible because of the heavy time pressure on MOED as a result of advancing the 2006 Budget and PIP by almost three months. However, MOED/EPFD was particularly interested in PIPE helping them to improve the presentation of the 2006 PIP. Accordingly, PIPE prepared an annotated outline for the text of the 2006 PIP and also shared actual drafting of it. In addition, in response to a query from the COM, MOED sought PIPE advice on the budgeting of externally funded public investment projects. PIPE responded with a technical note on the subject reviewing the current practice in Azerbaijan and recommending the necessary improvement.

Finally, relating to all tasks of the PIPE WP in Q3/05 and future is the Project's decision to create its web-site as a link to that of MOED to promote awareness with both the GOAZ officials and the general public of importance of PIPE and to encourage transparency and information sharing among government agencies as well as with the public. Initially, MOED has kindly offered space to the PIPE's main documents on its own web-site ([www.economy.gov.az](http://www.economy.gov.az)). Subsequently, the Ministry agreed to PIPE having its own website, linked to the Ministry's site, where it could post PIPE working documents for online comments from and exchange of views with all stakeholders of the project (PIPE is waiting for clearance of its web-site branding from the USAID/Tbilisi office).

## **1.2. Training Plan Tasks**

In May 2005, during the PIPE Diagnostic Review, the project staff and two STTAs from TRG (DAI training subcontractor) carried out a training needs' assessment. Based on the findings of this assessment, the PIPE project staff and TRG jointly prepared the draft Training Plan (TP), which identified both the training needs of every ministry involved and a tentative Course Delivery Program (CDP). Since the two STTAs from TRG were both training strategy specialists without any expertise in PIPE content, the PIPE project staff had to put in substantial amount of time into the completion of TP in July 2005.

In August 2005, Prof. Leroy Jones of the Boston Institute of Development Economies (BIDE – another DAI training subcontractor) was invited to Baku to further develop and finalize a detailed CDP. This visit would also familiarize him with the PIPE Project and its TP and with the local Training Partner of PIPE to facilitate his leading delivery of the Project Cycle content of the TP over the life of the Project. Shortly before signing his contract, however, Prof. Jones has informed DAI that he had expertise to cover only the cost-benefit analysis among all tasks



included in his SOW. This was quite unexpected as Prof. Jones is widely known as an authority on state-owned enterprises and privatization. In order to avoid further delay in carrying out the TP tasks, we agreed to a partial coverage by Prof. Jones of his original SOW. The CDP and the course materials prepared by Prof. Jones, however, turned out to be too academic, probably suiting better for a university class-room presentation than the PIPE's training program.

The PIPE project staff has now been working to complete the detailed CDP with its own resources, while also searching a right STTA to lead the delivery of the project-cycle-related courses. This person should have strong academic/technical background on the subject, rich practical experience, and good experience in interactive training of government officials. We have identified such a person and corresponded with him over one month but could not finalize the agreement because of his failure to comply with USAID application formalities. Hence, the search continues with support from DAI/HQ.

In the meantime, the PIPE project staff has identified two local experts, Mr. Iqbal Babayev and Mr. Ibrahim Mammedzade, with good experience and publications in project evaluation and management. PIPE could use their services in the preparation and presentation of sector-specific case studies and examples from successful programs/projects in the context of Azerbaijan. The PIPE project also requested the relevant Department Heads of the cooperating GOAZ agencies to nominate their staff for the formal PIPE Training Program to be delivered in January and February 2006. In Q4/05, the list of training participants will be finalized.

### **1.3. Ad Hoc Tasks**

In addition to its planned activities, the PIPE project undertook a number of ad hoc tasks in Q3/05, mostly in fulfillment of its advisory and awareness promotion responsibilities. As will be seen from the following, these tasks have all been also highly relevant to the PIPE objectives and to some future WP tasks, even though they were causing strains for the PIPE staff in keeping up with the planned tasks. The major ad hoc tasks included those relating to the PIPE Training Plan, the presentations on the PIPE WP and TP, USAID requests, and MOED requests.

#### **1.3.1. Unplanned Tasks relating to TP**

DAI's project proposal and its contract with USAID seem to assume that the PIPE Training Plan would be prepared and conducted by its training partners, TRG and BIDE. As already explained, it became clear however during the Diagnostic Review in May 2005 that TRG was neither equipped for nor interested in this task. Nonetheless, the TP was still drafted on the assumption that BIDE could undertake the said task. This assumption also proved wrong, as explained above, when BIDE was called upon for the task. As a result, the PIPE staff has been spending a lot of time for completing the TP and searching for candidates, and corresponding with them, to find the right person(s) who will do the job satisfactorily.

#### **1.3.2. Presentations on the PIPE WP and TP**

During the third quarter, the PIPE project carried out two presentations. The first one was given at the US embassy upon the request of Mr. Reno Harnish, the US ambassador, on July 6, 2005. The one hour PowerPoint presentation on the PIPE Work and Training Plans, based on the diagnostic review and training needs assessment in May 2005, was developed along the four components of the PIPE Work Plan:

- Development Objectives, Strategies and Investment;
- Evolution of the Public sector Capital Budget Formulation;
- Project Development, Appraisal and Monitoring;
- Training Program.

Each component was presented by one of the PIPE Project specialists. The presentation was highly appreciated by Mr. Harnish, who underlined the importance of the project for further economic development in Azerbaijan. PIPE has an important contribution to make particularly from now on because the rapidly rising flow of oil revenue expected over the next decade or even longer makes the public investment policy critical to both the development of the non-oil sector and maintaining macroeconomic stability in the country. It was therefore required by both the Ambassador and the USAID Country Coordinator that a similar presentation should be given to all PIPE stakeholders.

On August 26, 2005 PIPE held its Opening Ceremony at the Hyatt Regency Hotel, which also served as an occasion for the official introduction of its Work Plan to all its stakeholders. The Ceremony was attended by over 120 representatives from the Parliament, the President's Office, the Cabinet of Ministers, the National Bank of Azerbaijan, Ministry of Economic Development, Ministry of Finance, several line ministries, international donor organizations, International Financial Institutions, USAID and its implementing partners, the US Embassy, some private sector organizations, the mass media as well as some independent experts. Participants emphasized the need for better collaboration among the government agencies to structure the Public Investment Program and its financing more efficiently. Dr. Mete Durdag, PIPE COP, elaborated on the components of the PIPE Work Plan and concrete implementation tasks by using a slide presentation developed on the basis of that used for the Ambassador. The representatives of GOAZ, especially Mr. Farhad Aliyev, Minister of Economic Development, endorsed the Project and encouraged the audience to support it in all possible ways. Mr. Harnish stated that the project was of paramount importance to the U.S. assistance program for Azerbaijan and particularly emphasized its importance in bridging economic planning and budgeting. The NGO representatives also pointed to the need for a more formal cost-benefit analysis and project selection process for most effective and efficient utilization of scarce budget resources. Overall, the conference served as an important benchmark for establishing effective working relationship with the Project counterparts and stakeholders.

### **1.3.3. Requests from USAID**

PIPE produced in Q3/05 the following brief notes on request from the CTO:

- Review of Main Shortcomings of the Budget Process in Azerbaijan;
- Main Issues for Discussion at the US Ambassador's Meeting with Donors; and
- Coordination of Donors' TA in Azerbaijan.

PIPE has also been called on to provide briefings and information to other USAID consultants, including those working on the Anti-Corruption Study in Azerbaijan (three meetings) and the Survey of Expenditure Profiles in the Infrastructure Sectors (three meetings) as well as to the officials from the USAID/HQ (several meetings).

#### **1.3.4. Requests from MOED**

MOED requested in Q3/05 the following brief notes from PIPE:

- An Introductory Note on the PIPE Project;
- A draft Statement for the Minister to deliver at the PIPE Opening Ceremony on August 26, 2005;
- An Annotated Outline for the 2006 PIP;
- A part of the text component of the 2006 PIP; and
- Relationship of Externally Funded Projects to the Budget.

## **2. PROGRESS TOWARDS THE Q3/05 BENCHMARKS OF THE PERFORMANCE MONITORING PLAN**

**Aggregate Performance Indicator 1.** Improved capacity of GOAZ in the areas of long-term national and sector development and investment policy planning.

**Progress Indicator A.** Organizational and procedural arrangements to establish the High Policy Planning Council (HPPC) and its Secretariat Services.

**Statement of progress in Q3/05:** The underlying issues relating to the need for an effective and unified set of guidance and instructions from the top leadership to all government agencies for the preparation of all major planning and budgeting instruments have been well articulated and disseminated through the PIPE WP and its presentation at the Project's Opening Ceremony in August 2005, which was widely attended by all stakeholders and extensively reported by the mass media. In addition, a well-researched technical note was prepared (Importance of Having a Macroeconomic Framework for the Public Investment Policy and Program –PIPP) for discussion initially with MOED and then with MOF and the COM during Q4/05.

**Aggregate Performance Indicator 3.** Improved investment project preparation, appraisal and monitoring.

**Progress indicator I.** Review the procedures for PIP preparation in the line ministries selected for the first year of the PIPE work, define bottlenecks to right development planning, and provide recommendations.

**Statement of progress in Q3/05:** To help MOED and line ministries to address the problem areas in sector planning, the staff prepared the PIPE Project Internal Guide for SSDP

Preparation. The PIPE project staff also produced separate technical notes on current procedures and issues in the preparation of Sector Strategic Development Plans for transport, industry and energy, tourism, environment, and education. These notes identified the main institutional and technical weaknesses in the line ministries' formulation of sector strategic plans, particularly emphasizing the need for a formal process to align and integrate sector planning with the national development goals and strategies as well as with medium-term budgeting. The document, in both Azeri and English, has been submitted to MOED's Economic Policy and Forecasting Department for review and comments. The PIPE staff also prepared a slide presentation on the subject to facilitate its discussion with MOED and subsequently with the line ministries in Q4/05.

**Aggregate Performance Indicator 4.** Increased proficiency and knowledge of GOAZ counterpart organizations in public investment policy and efficiency.

**Progress indicator M.** Detailed "Course Delivery Plan" prepared.

The PIPE Project's detailed CDP was expected to be prepared with assistance from an International Training Expert. In August, 2005 Mr. Leroy Jones, BIDE, spent two weeks in Baku for this purpose. However, Mr. Jones was able to prepare only the cost-benefit part of the CDP, and his product was too complex and academic. Therefore, in Q4/05 another International Training Content Specialist will work to prepare the course delivery program and training materials, including the infrastructure and social sectors case studies and exit proficiency tests, for multi-week training in January-February, 2006. Thus, the progress benchmark is expected to be fully reached by end-December 2005.

### **3. COOPERATION WITH THE GOAZ COUNTERPARTS**

The PIPE WP envisages effective cooperation with the GOAZ at the three layers of governance: (a) the central authorities, comprising Parliament, the President's Office, the Cabinet, MOED and MOF and mainly operating at the macro level; (b) the line agencies/ministries operating mainly at the sector level – the Ministry of Industry and Energy, the Ministry of Transport, the Ministry of Youth and Tourism, the Ministry of Environment, and the Ministry of Education; and (c) civil society and other NGOs' involvement in participatory governance. Starting with the May 2005 diagnostic work, the PIPE staff has been enjoying full cooperation of all ministries to have regular meetings with their staff and easy access to all required information. Indeed, the PIPE sector experts established a good and productive rapport with their counterparts at both the central and sector ministries. The actual test of PIPE's effectiveness, however, will be seen in Q4/05 when PIPE experts will require effective interaction and joint working with their counterparts to start implementation of the proposals developed in Q3/05.

#### **4. COORDINATION WITH DONORS, IFIs, OTHER USAID IMPLEMENTING PARTNERS**

PIPE extensively cooperates with the international donor organizations, the international financial institutions, and USAID implementing partners to achieve effectiveness and efficiency of Azerbaijan national and sector development and investment policy planning; budgeting; PIP preparation and implementation. Specifically, the PIPE staff extensively cooperates with the IMF, the World Bank, ADB, UNDP, and BP. The project staff meets with other implementing partner organizations on issues of sector development (Energy - PA Consulting), society and municipal finance (Mercy Corps), humanitarian assistance (Red Cross) and looks forward expanding its sector-oriented contacts in next years to come. PIPE COP and DCOP are the regular participants of the U.S. Ambassador-led Economic Review Meetings, and exploit every opportunity to invite other stakeholders to cooperate.

#### **5. PROJECT MANAGEMENT**

During the reporting period there were several personnel changes in the DAI Home Office team for the PIPE project as well as in local staff. Mr. Dan Rathbun of the Economics, Trade and Finance Department became the Technical Backstop Manager for PIPE and Mrs. Meral Karan the Project Associate.

Mr. Farid Bakhshiyev, Economist for Productive Sectors, left the project to join the USAID/Baku office in August. His replacement, Mr. Hadji Husseynov, was selected through an open competition and started to work with PIPE from September 01, 2005. Another staff member, Ms. Afag Alikhanova, Administrative Assistant, left the PIPE to continue her studies abroad. Her replacement, Ms. Leyla Mammadova, also recruited through open competition, started to work from October 3, 2005.

As of November 1, 2005 the DAI/PIPE Project operates with a permanent staff of 12, including the Chief of Party – Dr. Mete Durdag—and the Deputy Chief of Party – Dr. Andrei Parinov.

#### **6. ADMINISTRATIVE TASKS AND REGISTRATION STATUS**

- *The PIPE Personnel Policies Manual* was prepared and approved to serve as a guide to the rights and responsibilities of DAI/PIPE employees. The Policies are in conformity with the local legislation and the labor code.
- *DAI/PIPE Project Equipments* were shipped from the DAI Home Office and cleared through the Baku customs in the end of August. Newly arrived computer hardware and software were fully installed by end-September. The HQ IT Specialist, Mr. Dejan Momirovic, provided assistance in setting up and configuring the server, workstations, internet connectivity and Local Area Network.

*Inventory of the Procured Items* was completed.

- *The PIPE Activity Board* was placed at the entrance of the Project office to highlight ongoing PIPE activities.
- *Registration Status of DAI Branch Office:* The application for registration of the DAI Branch Office in Baku was submitted to the Cabinet of Ministers in July 2005. After a thorough review and clearance by the Cabinet Office, the documents were forwarded to the Ministry of Justice for main decision. PIPE has been informally notified that the MOJ has approved the DAI's request for registration. Accordingly, we expect to be a fully registered entity by end-October, 2005.

## 7. CONCLUSIONS

During the reporting period, the PIPE Project staff has further strengthened its cooperation with the GOAZ counterparts as well as the donors and IFIs involved in public finance reform in Azerbaijan. On August 26, 2005 PIPE held its official Opening Ceremony, with the U.S. Ambassador and the Minister of Economic Development jointly chairing the deliberations. The Ceremony was attended by over 120 representatives from the Parliament, the President's Office, GOAZ agencies, IFIs, the donor agencies, the private sector, and independent experts. The Ceremony served as an occasion for official introduction and dissemination of the PIPE Project goals and its Work and Training Plans. Participants concurred with the PIPE's main emphasis on the need for effective collaboration among GOAZ agencies to prepare a sound Public Investment Program with a healthy structure of funding.

During Q3/05, the PIPE Project staff addressed all technical tasks scheduled for this period in the PIPE Work Plan (namely, Tasks 1; 2; 3.a; 5; 8; 9.a; 11.a) and the PIPE Training Plan (Tasks 1; 2; and 8). Due to the complexity of tasks, requirements for additional external technical support, and substantial time needed for consultations with GOAZ counterparts, the completion of tasks initiated in Q3/05 will require further PIPE efforts and joint work with our counterparts in Q4/05. Moreover, of the three Performance Monitoring benchmarks 1.A, 3.I, and 4M established for Q3/05, the first two were fully met on time while the third (4M) relating to the Training Plan will be completed in Q4 –though this will not affect the delivery schedule of the TP.